Grant Thornton

Financial Statements

Law Foundation of Nova Scotia

March 31, 2012

Contents

	Page
Independent auditor's report	1
Statement of operations and changes in general fund	2
Statement of operations and changes in restricted fund	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements	6-8

Grant Thornton

Grant Thornton LLP
Suite 1100
2000 Barrington Street
Halifax, NS
B3J 3K1

T +1 902 421 1734
F +1 902 420 1068
www.GrantThornton.ca

Independent auditor's report

To the Board of the
Law Foundation of Nova Scotia

We have audited the accompanying financial statements of the Law Foundation of Nova Scotia, which comprise the statement of financial position as at March 31, 2012, and the statement of operations, statement of changes in net assets for the general and restricted fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion
The Law Foundation of Nova Scotia derives substantially all of its revenue from interest credited by financial institutions of Nova Scotia Barristers' Society members' mixed trust funds which is not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to accounting for the amounts received from financial institutions and recorded in the records of the Law Foundation of Nova Scotia.

Qualified opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Law Foundation of Nova Scotia as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Halifax, Canada
June 6, 2012

Chartered Accountants

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Law Foundation of Nova Scotia
Statement of operations and changes in general fund

Year ended March 31

	2012	2011
Revenue		
Interest on trust accounts	$ 796,307	$ 471,558
Interest on investments	895	15,067
Realized gain on disposal of investments	408	3,992
Unrealized loss on investments	-	(219)
	797,610	490,398
Grants (note 5)	1,083,371	1,545,635
	$ (285,761)	$ (1,055,237)
Expenditures		
Accounting and audit	8,050	12,261
Amortization	1,411	2,659
Bank charges	388	444
Brokers' and investment management fee	-	829
Consulting	3,623	1,254
Director's insurance	1,870	1,870
Miscellaneous	233	1,545
Office	11,955	10,361
Rent and common area	19,662	19,355
Salaries and benefits	110,386	114,345
Telephone	2,357	2,135
Travel and meetings - board	3,526	3,218
Travel – staff and chair	5,220	6,021
	168,681	176,297
Deficiency of revenue over expenditures	$ (454,442)	$ (1,231,534)
General fund, beginning of year	$ -	$ 133,516
Deficiency of revenue over expenditures	(454,442)	(1,231,534)
Transfer from restricted fund	454,442	1,098,018
General fund, end of year	$ -	$ -

See accompanying notes to the financial statements.

Law Foundation of Nova Scotia
Statement of operations and changes in restricted fund

Year ended March 31	2012	2011
Revenue		
Interest on investments	$ 53,691	$ 61,254
Dividend income	64,231	83,304
Realized gain on disposal of investments	227,717	121,096
Unrealized (loss) gain on investments	(592,200)	361,430
	(246,561)	627,084
Expenditures		
Brokers' and investment management fees	45,549	61,620
(Deficiency) excess of revenue over expenditures	$ (292,110)	$ 565,464
Restricted fund, beginning of year	$ 3,595,105	$ 4,127,659
(Deficiency) excess of revenue over expenditures	(292,110)	565,464
Transfer to general fund	(454,442)	(1,098,018)
Restricted fund, end of year	$ 2,848,553	$ 3,595,105

See accompanying notes to the financial statements.

Law Foundation of Nova Scotia
Statement of financial position

March 31	2012	2011
Assets		
Current		
Cash and cash equivalents	$ 211,812	$ 436,896
Accrued interest receivable - restricted	15,794	12,482
Prepaids	3,890	3,236
	231,496	452,614
Investments (note 3)	3,975,197	4,693,524
Equipment (note 4)	5,643	7,055
	$ 4,212,336	$ 5,153,193
Liabilities		
Current		
Payables and accruals	$ 8,847	$ 9,008
Designated grants payable (note 5)	1,104,936	1,549,080
Payable to Law Foundation of Nova Scotia Scholarship Fund	250,000	-
	1,363,783	1,558,088
Fund balance		
Restricted fund	2,848,553	3,595,105
	$ 4,212,336	$ 5,153,193

Commitments (note 6)

On behalf of the Foundation

Director

Director

See accompanying notes to the financial statements.

Law Foundation of Nova Scotia
Statement of cash flows

March 31	2012	2011
Increase (decrease) in cash and cash equivalents		
Operating		
Deficiency of revenue over expenditures	$ (746,552)	$ (666,070)
Items in earnings not involving cash		
Amortization	1,411	2,659
Realized gain on disposal of investments - general	(408)	(3,992)
Realized gain on disposal of investments - restricted	(227,717)	(121,096)
Unrealized loss on investments – general	-	219
Unrealized loss (gain) on investments – restricted	592,200	(361,430)
	(381,066)	(1,149,710)
Change in non-cash working capital balances		
Accrued interest receivable – general	-	5,863
Accrued interest receivable – restricted	(3,312)	4,215
Advances from Law Foundation of Nova Scotia Scholarship Fund	250,000	6,050
Prepaids	(654)	245
Payables and accruals	(161)	1,867
Designated grants payables	(444,144)	(47,343)
	$ (579,337)	$ (1,178,813)
Investing		
Investments		
Purchase of investments	$ (4,180,797)	$ (1,374,115)
Proceeds of disposal of investments	4,490,557	2,401,218
	$ 309,760	$ 1,027,103
Net decrease in cash and cash equivalents	$ (269,577)	$ (151,710)
Cash and cash equivalents		
Beginning of year	581,733	733,443
End of year	$ 312,156	$ 581,733
Cash and cash equivalent is comprised of:		
Cash and cash equivalents	$ 211,812	$ 436,896
Investments (note 3)	100,344	144,837
	$ 312,156	$ 581,733

See accompanying notes to the financial statements.

Law Foundation of Nova Scotia
Notes to the financial statements
March 31, 2012

1. Nature of operations

The Law Foundation of Nova Scotia was established in 1976 by a Nova Scotia statute and is exempt from income tax. Its purpose is to grant funds to groups for projects connected with the law.

2. Summary of significant accounting policies

Investments - general
The investments in the general fund consist of fixed income funds. They have been classified as held for trading investments which are recorded at their quoted market price. Any adjustments recorded on these investments are recorded through the statement of operations for the general fund.

Investments - restricted
The investments in the restricted fund, that have been restricted by the Foundation's Board, consist of fixed income funds, mutual funds and equities. They have been classified as held for trading investments which are recorded at their quoted market price. Any adjustments recorded on these investments are recorded through the statement of operations for the restricted fund.

Revenue recognition
Interest on trust accounts is recorded on a cash basis when received. Interest on investments is recorded on the accrual basis. Dividend income is recorded on a cash basis when received.

Property, plant and equipment
Property, plant and equipment are stated at cost. Amortization is provided using the following annual rates and methods:

	Rate	Method
Office equipment	20%	Diminishing balance
Furniture and fixtures	20%	Diminishing balance
Computer hardware	3 years	Straight line
Computer software	3 years	Straight line

Fund accounting
The Board has internally restricted funds to finance future operations of the Foundation. The net investment income earned on these assets is recorded in the restricted fund.

The general fund accounts for the Foundation's day-to-day activities which include the interest income on the lawyers' trust accounts, the interest income on the investments, less grants approved and paid, and the administrative expenses from running the Foundation.

Fair values
The Foundation's financial instruments consist of cash, prepaids, accrued interest receivable, investments, payables and accruals and designated grants payable.

2. Summary of significant accounting policies (continued)

The fair values of cash, accrued interest receivable, prepaids, payables and accruals and designated grants payable are approximately equal to their carrying value due to their short-term maturity dates.

The investments are recorded at fair value as these values are readily available. Any adjustments recorded on these investments are recorded through the statements of operations.

Market risk
The Foundation is exposed to interest rate risk on its fixed-interest financial instruments and the interest revenue from the Trust accounts that have variable-interest based on prime. Fixed-interest instruments subject to the Foundation to a fair value risk while the variable-interest income stream subjects the Foundation to a cash flow risk.

3. Investments

The Foundation has an internally restricted fund totalling $2,848,553 (2011 - $3,595,105) represented by a portion of its investments for the purpose of covering continuing commitments should the Foundation not have sufficient resources to maintain its future grants. This amount includes accrued interest receivable of $15,794 (2011 - $12,482).

	2012 Market Value	2011 Market Value
Equities and mutual funds – (cost - $3,008,775, 2011 - $2,803,627)	$ 3,086,410	$ 3,520,096
Fixed income funds – (cost - $751,364, 2011 - $1,017,179)	788,443	1,028,591
Cash	100,344	144,837
	$ 3,975,197	$ 4,693,524

4. Equipment

	Cost	Accumulated Depreciation	2012 Net Book Value	2011 Net Book Value
Office equipment	$ 30,718	$ 26,832	$ 3,886	$ 4,857
Furniture and fixtures	8,769	7,012	1,757	2,198
	$ 39,487	$ 33,844	$ 5,643	$ 7,055

5. Designated grants

The Board approved grants totalling $1,102,871 (2011 - $1,549,080) less $19,500 (2011 - $3,445) of grants revoked or repaid, for a net of $1,083,371 during the year ended March 31, 2012 (2011 - $1,545,635). Grants that have been approved but remain unpaid at year end are reported as current liabilities.

6. Commitment

The Foundation rents its premises under a long-term lease which expires June 30, 2014. Estimated annual costs are $20,000, including annual base rental and common area costs.

7. Capital disclosures

The Foundation's capital is comprised of the general and restricted fund balances. The restricted fund balance is an internally restricted fund which will be used to finance future operations of the Foundation. The Foundation's objectives when managing capital are to ensure the funds received are invested in such a manner that will sustain future grant payments regardless of the economic conditions in the marketplace. Furthermore, cash and investments are managed to ensure the financial obligations and objectives of the Foundation are met.

8. Future accounting standards changes

For fiscal years beginning on or after January 1, 2012, the Canadian Accounting Standards Board has issued Part III: Accounting Standards for Not-For-Profit Organizations (ASNPO) which is applicable for all not-for-profit organizations. Not-for-profit organizations maintain the option to adopt ASNPO or International Financial Reporting Standards (IFRS). The Foundation is currently assessing the impact of the new standards on its financial statements.